



Virginia

Benefits From Exports

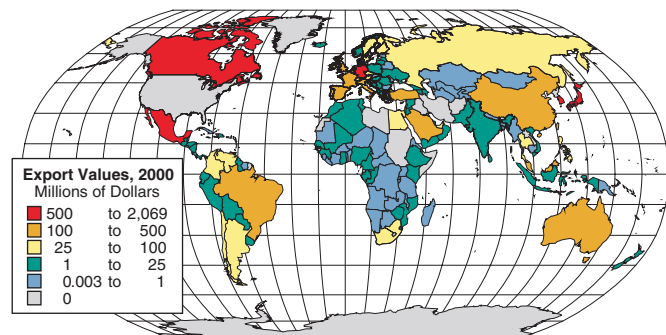
Virginia's export sales of merchandise in 2000 totaled \$10.5 billion, up nearly 30 percent from the state's 1993 export total of \$8.1 billion. In 2000, Virginia ranked 20th among the states in total exports. On a per capita basis, Virginia businesses in 2000 recorded export sales of \$1,490 for every person residing in the state.

Virginia exports goods globally to 188 foreign destinations. Two of the state's top three markets are North American Free Trade Agreement (NAFTA) nations. Virginia's leading market, by far, is Canada (20 percent of 2000 exports), followed by Japan (17 percent) and Mexico (8 percent). Other leading markets include South Korea, Germany, the United Kingdom, and Saudi Arabia.

Virginia's biggest growth markets, in dollar terms, are the NAFTA nations of Canada and Mexico. From 1997 to 2000, export sales to Canada grew from \$1.5 billion to \$2.1 billion—an increase of about \$600 million. Exports to Mexico nearly doubled, rising from \$430 million to \$845 million. Virginia also posted sizable dollar increases in sales to Japan, Portugal, Malaysia, Saudi Arabia, and Singapore.

VIRGINIA EXPORTED GOODS WORTH \$10.5 BILLION TO 188 FOREIGN MARKETS IN 2000

Dollar Value of Virginia's Merchandise Exports to Foreign Markets, 2000

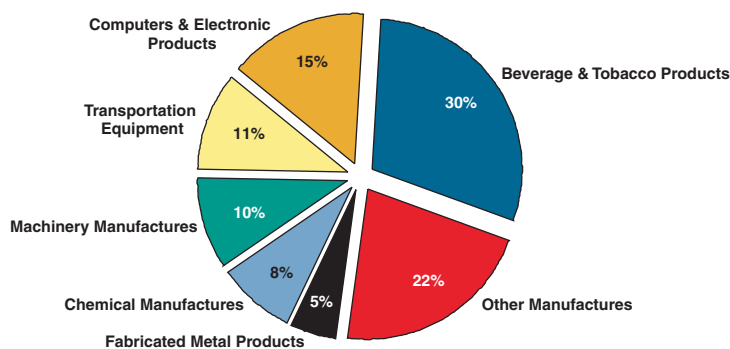


Source: U.S. Department of Commerce, Exporter Location Series.

The state's leading manufactured export category is beverage and tobacco products, which alone accounted for \$2.7 billion, or more than one-fourth, of Virginia's total export sales in 2000. Other top manufactured exports are computers and electronic products (\$1.4 billion in 2000 exports), transportation equipment (\$980 million), machinery manufactures (\$899 million), and chemical manufactures (\$767 million).

Apart from exporting a wide range of manufactures, Virginia is also an important exporter of minerals, such as coal. In 2000, Virginia directly exported mined commodities worth \$589 million. While significant, this figure no doubt understates the true importance of exports to Virginia's mining industry. Not included in federal statistics are the state's sizable indirect mineral exports, which take place through middlemen located in other states.

VIRGINIA EXPORTS A WIDE RANGE OF MANUFACTURES: \$9.2 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

The Washington, D.C., metro area (which encompasses parts of Virginia, West Virginia, and Maryland) recorded 1999 export sales of \$7.2 billion—the 20th largest total among the 253 U.S. metro areas for which export data are available. A sizable but indeterminate portion of these exports were generated by Virginia businesses. Other major exporting areas in Virginia include Richmond-Petersburg, and Norfolk–Virginia Beach–Newport News. Virginia metro areas that posted the

fastest export growth during the 1993–99 period were Lynchburg, Norfolk–Virginia Beach–Newport News, Roanoke, and Charlottesville.

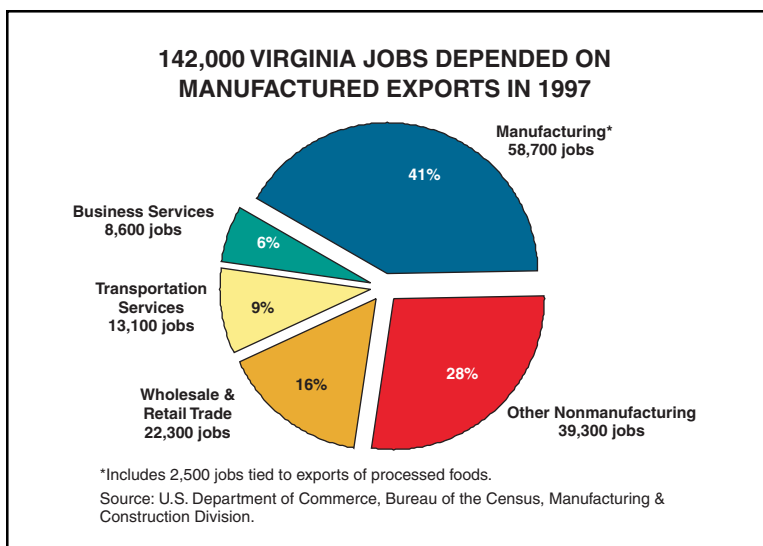
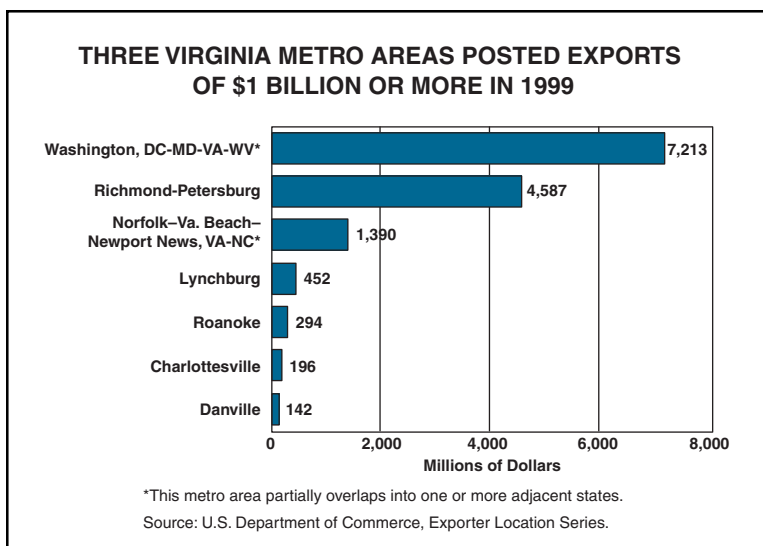
Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Virginia depended on manufactured exports for 142,000 jobs—the 20th-highest total of any state. Export-supported jobs accounted for an estimated 5.2 percent of Virginia’s total private sector employment.

Manufactured exports supported 58,700 jobs—roughly one of every six workers—in Virginia’s manufacturing industries. Manufacturing sectors with the most export-related jobs were chemicals, machinery, and fabric mill products.

Exports of manufactured goods also indirectly supported 83,300 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.



TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or “fast track”) is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

TPA preserves the ability of the United States to protect public health, safety, and the environment.

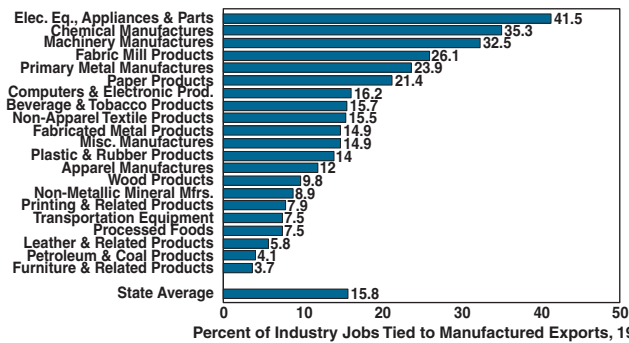
Exports Help Small Business

Exports have broadly benefited Virginia businesses, both large and small. A total of 4,692 companies exported from Virginia locations in 1998. Just under 79 percent of these companies, accounting for 23 percent of the state’s total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 65 percent of all Virginia exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

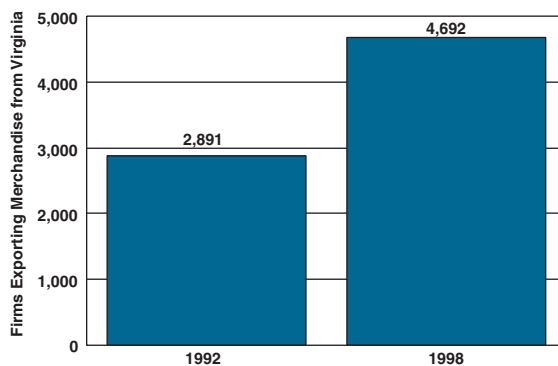
While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the

MORE THAN ONE-SEVENTH OF MANUFACTURING JOBS IN VIRGINIA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 15.8 percent of the 370,600 manufacturing jobs in Virginia were tied to manufactured exports—some 58,700 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM VIRGINIA ROSE 62 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

Virginia Industries Can Gain From Trade Negotiations

Virginia's exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Virginia's businesses across many industrial sectors.

Information technology. Virginia's high-tech businesses are beneficiaries of the Information Technology

Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Virginia, would likely see sales rise if remaining barriers on IT products were eliminated.

Coal. The United States exports nearly 10 percent of its coal production to more than 40 countries. Export shipments are valued at the level of \$2 billion per year. The majority of U.S. export coal comes from the states of West Virginia, Kentucky, Virginia, Pennsylvania, and Colorado, and the major export market for U.S. coal is the European Union. U.S. market share could be expanded through multilateral trade negotiations to remove nontariff barriers, such as subsidies. Tariffs remain a problem. For example, the competitiveness of U.S. coal exporters has eroded in the Chile because U.S. suppliers face a higher duty than their Canadian counterparts.

Civil aircraft and parts. The U.S. civil aircraft industry is the largest in the world. In 2000, total exports of U.S. civil aircraft, engines, and parts were \$45 billion. Over the last five years, three of every five large civil aircraft produced in the United States have been exported. The World Trade

Organization Agreement on Trade in Civil Aircraft provides for duty-free import of civil aircraft and their

VIRGINIA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Virginia goods and services.

Virginia exporters still face major trade barriers in such sectors as information technology, coal, aircraft and parts, chemicals, and textiles and apparel.

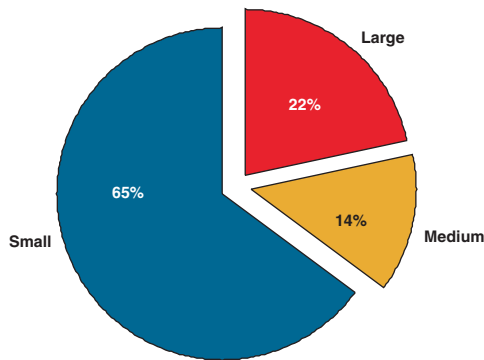
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Virginia's economy is export-dependent, with export sales of \$1,490 for every state resident.

About 142,000 Virginia jobs depend on exports of manufactured goods.

4,692 companies—including 3,194 small and medium-sized businesses—export from Virginia.

79 PERCENT OF VIRGINIA'S 4,692 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

components by the 26 signatories to this agreement. However, import tariffs in nonsignatory countries remain as high as 30 percent. A number of nontariff barriers impede Virginia's exports of civil aircraft and parts. For example, some countries do not promptly or fully recognize the safety and international noise certification compliance of all U.S. civil aircraft.

Chemicals. Virginia exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries, most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry, including discriminatory product registration, testing/certification, and import licensing requirements.

Agriculture. Virginia produces and exports agricultural products. According to the U.S. Department of Agriculture, Virginia's agricultural exports totaled \$386 million in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 15 percent to 22 percent, as measured by export's share of farm cash receipts. Virginia's top agricultural exports are leaf tobacco, poultry and products, live animals and red meats, wheat and products, and soybeans and products. Virginia already benefits from past trade agree-

ments; however, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade

negotiations now under way to dismantle these barriers.

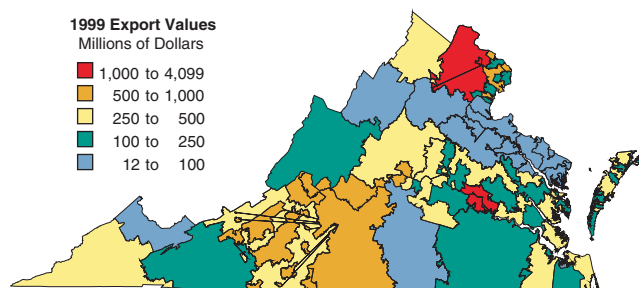
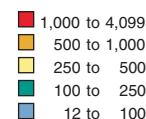
Imports Also Important to Virginia

While exports generate clear benefits for the Virginia economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Virginia, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Virginia with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER VIRGINIA

Virginia's Merchandise Exports by Three-Digit Zip Code, 1999

1999 Export Values
Millions of Dollars



Note: Virginia's total merchandise exports in 1999 were \$10.7 billion.
Source: U.S. Department of Commerce, Exporter Location Series.